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An Act To Conform the Maine Tax Laws for 2008 to the United States Internal Revenue Code

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the 90-day period would delay the processing of the year 2008 income tax return; and

Whereas, legislative action is immediately necessary to ensure continued and efficient administration of the Maine income tax and certain other state taxes; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §111, sub-§1-A, as amended by PL 2007, c. 539, Pt. CCC, §1 and affected by §19, is further amended to read:

1-A. Code. "Code" means the United States Internal Revenue Code of 1986 and amendments to that Code as of ~~February 13~~December 31, 2008.

Sec. 2. 36 MRSA §5124-A, first ¶, as amended by PL 2005, c. 12, Pt. P, §5, is further amended to read:

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, exclusive of the Code, Section 63(c)(1)(C), except that for tax years beginning after 2002, the Code, Section 63(c)(2) must be applied as if the basic standard deduction is \$5,000 in the case of a joint return and a surviving spouse and \$2,500 in the case of a married individual filing a separate return.

Sec. 3. Application. This Act applies to tax years beginning on or after January 1, 2008 and to any prior years as specifically provided by the United States Internal Revenue Code.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.

SUMMARY

This bill updates references to the United States Internal Revenue Code contained in the Maine Revised Statutes, Title 36 to the United States Internal Revenue Code as amended through December 31, 2008, for tax years beginning on or after January 1, 2008 and for any prior years as specifically provided by the United States Internal Revenue Code. The bill primarily affects Maine's income tax and estate tax laws.

This bill enacts nonconformity with the new additional federal standard deduction for property taxes paid by individual taxpayers who elect not to itemize deductions. Under current law, the additional federal standard deduction is available only with respect to tax years beginning in 2008 and is limited to \$500, or \$1,000 for taxpayers filing a married joint return.